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# HCFA/CMS

# ALUMNI NEWS

WINTER 2003 (Vol. 9 No. 1)

## MESSAGE FROM THE PRESIDENT

Well, the holidays are behind us and the Blizzard of 2003 is fast fading from memory. Spring is just around the corner, trust me, ha.

I am happy to begin yet another one year term as your President. I am also very pleased to report that 43 of our members and friends had a terrific time at the Holiday Luncheon (see article inside) and I encourage everyone to join in future activities of this nature. I am also pleased that the association continues to attract new members and membership renewals are coming in at a very good pace. On page 2 you will see a list of 15 new members. It looks like we are succeeding in our goal to make this an organization responsive to its members; one that people will enjoy membership in.

In this issue you will find a reminder regarding the year 2003 membership renewal process, for those who may have overlooked this little task. Dues remain at \$5.00 per year and we hope you will take advantage of the opportunity to renew at this time, while it is fresh in your mind. And you can now renew for any number of years.

In this jam packed issue you will also find items about Long Term Care Insurance, the Social Security Administration Employee Activities Association link at our web site, the CMS Holocaust Memorial Program and the latest in CMS senior staff and organizational news. There are a host of other items that we hope will also be of interest to you.

We are still looking for anyone out there who might be willing to star in the next "WHATEVER HAPPENED TO..." feature. Just step right up and make yourself an instant celebrity.

William L Engelhardt

## **HCFA/CMS ALUMNI NEWS**

Published four times a year for the members of the Health Care Financing Administration /Centers for Medicare and Medicaid Services (HCFA/CMS) Alumni Association

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William L. Engelhardt

### **VICE PRESIDENT**

Irving Goldstein

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## **DUE DATES FOR FUTURE ISSUES**

Spring Issue -- April 11, 2003  
Summer Issue -- July 18, 2003

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## **NEW MEMBERS**

The Association extends a hearty "Welcome Aboard" to the following new members:

Michael Albersheim  
Donald L. Allen  
Medford J. Campbell, Jr.  
Patsy Bradford-Bearkley  
Frances A. Blue  
Charles H. Brinker  
Joseph Broseker  
Shirley Mae Davis  
Larry Clark  
Joseph C. Logue  
Kathy McKenzie  
Michael Odachowski  
Arnold Rottman  
Lou Schiro  
Yvonne Edwina West

We now have 392 active members.

## **2003 BOARD OF DIRECTORS**

The Board of Directors has unanimously re-appointed incumbent board members William L Engelhardt, Irving Goldstein, William A Grant and William H Hogsten, whose terms expired December 31, 2002, to another two year term, ending December 31, 2004. Board members Barbara C Booth, James Bruggy and Edward Steinhouse are in the second year of a two-year term. The Board also unanimously re-elected the following officers, to serve for the calendar year 2004:

President – William L Engelhardt  
Vice-president – Irving Goldstein  
Treasurer – William A Grant  
Secretary – Barbara C Booth

**MEMBERSHIP RENEWAL**  
**AND PAYMENT OF YEAR 2003**  
**DUES**

The collection of the annual dues for the year 2003, covering the period of January 1, 2003 through December 31, 2003 continues. Enclosed with this issue of the Alumni News is the re-enrollment form (**but only for those few members who have not yet renewed**). Dues remain at just \$5.00 per year. When using the form to mail in your dues, please note any changes in information so we may update our records (i.e. address, e-mail, phone number, etc.)

For your convenience, we have included a pre-addressed envelope to send in your 2003 dues. **If you have already paid your 2003 dues you will NOT find an enrollment form included with this issue.** We also continue to accept membership enrollment (or re-enrollment) for multiple years. Members may pay \$5.00 per year and sign up for any number of years. Because the dues are nominal, there are no discounts for multiple year enrollments and there is no "lifetime" membership. Multiple year enrollments are available as a convenience to members. To facilitate keeping track of individual enrollment periods, the mailing labels used to send the HCFA/CMS Alumni News now contain the member's I.D. Number and the date of expiration of enrollment, i.e., 12/31/02. Those with a date later than 12/31/02 do **NOT** need to renew at this time.

**NEW MEMBER DIRECTORY UPDATE**

At the back of this newsletter you will find a Member Directory Update. It includes all additions (i.e., new members) and reported changes since the Summer 2002 Edition of the Member Directory was issued. We plan to continue to include updates from July 2002 on in future issues of The HCFA/CMS Alumni News, until the next issuance of a complete Member Directory. Therefore the update in each issue will be a complete one and can replace prior updates. Since this is an update, you will **NOT** find yourself listed in it unless there has been a change in your membership information or you became a new member since the Member Directory was issued.

We encourage members to keep us informed of changes so that we can in turn keep everyone up to date. E-mail addresses seem to be particularly subject to change or elimination.

**MEMBERSHIP SEARCH**

We are very much aware that there are many HCFA/CMS retirees that we have not been able to reach to tell them about the Alumni Association and invite them to join. We continue to ask for your assistance in spreading the message about us to them. If you know of any retiree that is not a member, please let them know about us and tell them how to contact us by telephone, snail mail or e-mail (all of that information can be found on page 2 of this issue). We will be very happy to send, either electronically or via snail mail, anyone the enrollment form and further information about membership. And Bill Engelhardt says you can always e-mail him personally

**MEMBERSHIP SEARCH (Continued):**

at [wlengelhardt@adelphia.net](mailto:wlengelhardt@adelphia.net) for faster response (as the office e-mail is only accessed weekly).

**HOLIDAY LUNCHEON**

43 Alumni members and friends came to the Holiday Luncheon at Alexandra's Restaurant in the beautiful Turf Valley Country Club and a wonderful time was had by all. Some very nasty weather that day kept another 19 people from making it but everyone who did make it enjoyed the event and hoped to have a similarly great experience next year. And an HCFA/CMS Alumni subsidy kept the cost at a very reasonable level. We hope even more of you will be able to join us for that. The setting was great and the view overlooking the golf course was beautiful. The room was spacious and the ambiance fantastic.

**HOLOCAUST MEMORIAL PROGRAM**

CMS's eighth annual Holocaust Memorial Program will be held on Wednesday, April 30, 2003, at 1:30 p.m. Eastern Daylight Time in the Grand Auditorium at CMS headquarters in Baltimore.

The keynote speaker for this year's program will be Herman Taube, a Holocaust survivor whose granddaughter, Angela Wise, works in the Center for Medicaid and State Operations at CMS. A poet and author, Mr. Taube has attempted to communicate the incomprehensible savagery of the Holocaust through his writings. Mr. Taube was in the Polish Army as a soldier and medic.

Retirees are welcome to attend. Guest attendees must be on a guest list & have photo I D. If interested in attending please contact HCFA retiree Herb Hane at (410) 544-3244 or via e-mail at [HERBGITTA@aol.com](mailto:HERBGITTA@aol.com)

**SSAEAA**

We'd like to remind members that we do have a link to the Social Security Administration Employee Activities Association (SSAEAA) on our web site. The actual URL for it is "<http://ssaeaa.org>" but you can just click on the link on our page. HCFA/CMS retirees are automatically members of the SSAEAA and are eligible to participate in discount purchases.

**SENIOR MANAGEMENT  
ANNOUNCEMENTS**

**Ruben King-Shaw** has been loaned to the Treasury department 4 days a week until August 1. Congress passed a new health tax credit in the trade bill last year that will give unemployed workers temporary relief to purchase health care. Treasury will manage the program, but is not stocked with health experts-thus Ruben, an insurance expert, will help out. He will be working at CMS in Washington one day per week.

**Leslie Norwalk**, Counselor to CMS, will spend 4 days per week in Baltimore-effectively assuming Ruben King-Shaw's management duties for 6 months. For all intents and purposes she will be Ruben-and acting COO-while he is helping Treasury.

**SENIOR MANAGEMENT  
ANNOUNCEMENTS (Continued):**

**Tim Hill** has been appointed as the new Deputy Director for OFM, replacing the retired Lee Mosedale. Tim has been the Director and Deputy Director of the Program Integrity Group in OFM as well as serving in a leadership position in the Center for Beneficiary Choices. Before joining CMS, Tim worked in the Health Financing Branch at the Office of Management and Budget where he performed policy and budget development, oversight, and analysis.

**Dara Corrigan** has been appointed to the position of Director of the Program Integrity Group, OFM. Dara will develop, administer, and oversee program integrity strategies and operations. She is currently the Deputy Associate General Counsel for Program Integrity at the Office of General Counsel. She also served for four years as the Assistant United States Attorney in the District of Columbia.

**Tim Love** has been appointed to the position of Chief Information Officer (CIO) and Director of the Office of Information Services. Prior to joining CMS in 1991, he served with the United States Navy in the Western Pacific and as a Peace Corps Volunteer in the Dominican Republic. Since joining CMS he has served the agency in a variety of roles, each with increasing leadership responsibilities including: a policy analyst, Special Assistant to two Administrators, a policy manager, an operations manager, and Deputy Director of the Office of Research, Development and Information. For the past year, Tim has led the Office of Information Services as

Deputy Director for Management and Acting Director.

**Dr. Charlotte Yeh** has been appointed to the Regional Administrator position in Boston. Dr. Yeh has over 20 years of experience as an emergency physician providing direct clinical and administrative services. She has run both community and academic emergency departments as Chair, and established the first academic Department of Emergency Medicine at Tufts University Medical School.

Dr. Yeh has been very visible and involved in the health care community in the Boston area and in California for several years, serving on numerous boards, committees, etc., and holding leadership positions with various associations. She has had several hospital and academic appointments, and holds Board Certifications in Emergency Medicine and Medical Examiners.

**CMS ORGANIZATIONAL CHANGES**

These planned changes are being made to better position CMS functions are consolidated across the Department under the "One-HHS" initiative. Some of these changes have not yet been finalized. They are functional re-alignments and will not result in staff losses.

The current functions of the Office of Internal Customer Support (OICS) will be transferred to the Office of Operations Management (OOM), with the exception of the graphics and studio functions which will be housed in the Public Affairs office. Over the next year or so, some of the OICS functions which were transferred to OOM

### **CMS ORGANIZATIONAL CHANGES** **(Continued):**

will be assumed by HHS under the "One-HHS" initiative.

Brenda Sykes, Director and Ellen Gochbauer, Deputy Director will head the consolidated OOM leadership team.

### **FEHB/MEDICARE PREMIUMS**

The following is copied from the FEHB website FAQs in response to the frequently asked question, "Since Medicare is my primary payer, will my FEHB premiums change?"

"You will continue to pay the same premiums unless you change to another plan or option. At present, the FEHB law does not authorize OPM to offer additional enrollment options such as a different rate structure for FEHB enrollees in Medicare. In the FEHB Program, coverage and premiums are the same for all enrollees in a given plan without separate categories for class or risk, health status, size of family, age, and other insurance coverage.

The FEHB Program follows the most basic principle of group health insurance. The basic purpose of group health insurance is to spread the cost of health care among all of the people in the group. All of the members of the group share equally in the costs of the group. Similarly, group members share equally in the savings that are due the group when certain members of the group have other insurance coverage (including Medicare) that picks up part, or all, of the cost of care. The result is that premium

rates for members of each plan, as a group, are lowered.

Additionally, FEHB plans provide coverage for prescription drugs, routine physicals, emergency room care outside of the United States, and some preventive services that Medicare doesn't cover."

HCFA/CMS Alumni member John Foertschbeck checked out supplemental Medicare insurance with AARP and they have 9 plans that range from \$77 to \$201.75 per month person, spouse's do get a 5% discount. All in all it appears that the FEHB isn't quite as bad as one might first think.

### **KEY HOUSE PANELS REVAMPED**

Because of the creation of the Homeland Security Department, the House Appropriations Committee has realigned its subcommittees in a way that affects the panel handling spending on federal benefits programs and other workplace spending in general. The committee is creating a new subcommittee on DHS, to be headed by Rep. Harold Rogers, R-Ky. What formerly had been the Treasury-Postal subcommittee will take on the agencies under the Transportation subcommittee not moving to DHS and that panel will be renamed the Transportation and Treasury subcommittee. Rep. Ernest Istook, R-Okla., who has headed the Treasury-Postal subcommittee, will remain as chair. Meanwhile, the Government Reform committee has revamped its subcommittee handling civil service matters. It will be called the subcommittee on the civil service and agency reorganization, a reminder that agency reorganization is a priority goal of the full committee, s new chairman, Rep.

### **KEY HOUSE PANELS REVAMPED** **(Continued):**

Tom Davis, R-Va. The subcommittee, which will be headed by Rep. Jo Ann Davis, R-Va., further will no longer have jurisdiction over the census.

### **SENATE ASSIGNMENTS ALSO** **REVISED**

In a change that could increase the chances of civil service reforms being enacted in the current Congress, the Senate Governmental Affairs Committee has reorganized itself to give oversight of most federal employment policies to the leading advocate of those reforms, Sen. George Voinovich, R-Ohio. Voinovich has been made chairman of the newly named subcommittee on oversight of government management and the federal workforce, picking up responsibilities from what in previous Congresses had been the subcommittee on federal services. Sen. Richard Durbin, D-Ill., is the ranking Democrat. **Meanwhile, the newly structured subcommittee on financial management, the budget and international security, will retain jurisdiction over strictly budgetary matters involving federal retirement and insurance programs. Sen. Peter Fitzgerald, R-Ill. will head it, with Sen. Daniel Akaka, D-Hawaii, the ranking Democrat.**

### **LTC PROPOSAL UPDATES**

FEDweek, available at "fedweek.com" has been our source for information on this evolving issue and we start off this issue's coverage with a

### **SHORT CHECKLIST FOR LONG-TERM CARE INSURANCE**

When you're shopping for long-term care (LTC) insurance, here are the five key points:

The daily or monthly benefit. Your policy should cover 60 percent-80 percent of the cost of a private room in your area.

The breadth of care. For most people, a policy should pay as much for home care as for nursing home care (An exception: elderly women living alone may not want to pay for a home care benefit if they will feel vulnerable having strangers come into their home).

Benefit period. Pay for a policy that will provide at least three years of coverage. You also should have a plan to transfer assets and eventually qualify for Medicaid after a three-year waiting period.

Waiting period. The longer the waiting period before benefits begin, the lower the premiums you'll pay. At, say, \$5,000 per month a 100-day waiting period will cost you more than \$15,000, out-of-pocket. If you're not willing or able to bear that expense, choose a 30-day waiting period.

Inflation protection. Most people will want this protection. Simple protection will cost less than compound protection and may well be adequate in today's low-inflation economy.

## **LTC INSURANCE RESULTS**

Wednesday, February 19, 2003

**By Mike Causey  
FEDweek Senior Editor**

The Federal Family Long Term Care insurance program is a rousing success--or less than one--depending on how you look at it. And what happens next.

According to Long Term Care Partners Inc., 215,000 federal workers, postal employees, family members, retirees and survivors "qualified" for the program. If all of them actually signed up and pay premiums, it will mean \$250 million a year to John Hancock and Metropolitan Life, who make up LTCP Inc. That's a lot of people, and a lot of premiums.

On the other hand an estimated 20 million people--feds, family members and retirees who made up the potential universe--didn't sign up for the federal program during the first open season. That's also a lot of people.

What the federal program did may be bigger than what it didn't do, and than the group of people who didn't sign up.

What the government did was surely one of the largest advertising programs in history aimed at a targeted group of potential clients. It made many people, in and out of government, aware of LTC. People who had never heard of, thought about, or understood what LTC is. And what it isn't.

Presumably, they know now that LTC insurance--any kind--doesn't overlap with Medicare. Or insurance policies. They don't pay for home care or nursing home

care. That's why, if you think you will need these services someday, you buy LTC insurance.

Most of the feds who bought the federal program signed up for \$100 a day of coverage over a maximum three-year period. One hundred dollars a day isn't a lot now for paying someone to help you get up, dress, eat, and other daily activities of living. It will be even worth less in the future, but at least that standard package most of them bought provides for inflation protection.

It's also \$100 a day more than most people have, or can comfortably afford. LTC insurance has been called asset preservation insurance because having the coverage, when you need it, means you won't have to depend (entirely) on family members, or your own savings and annuity to take care of yourself if you need that sort of help.

The great benefit of the federal program, and the education effort, to most people (including insurance companies) is that it could jump start interest and enrollment in LTC insurance. In government and also through private firms and in individual rather than group policies.

If that happens, if a large number of people buy LTC insurance--wherever they choose--it could shift millions, maybe billions of dollars in costs from the government (Medicaid and state resources) to individuals (who pay the premiums) and private insurance firms who pay the benefits. That could be very important as the population ages and lives longer.

The question is the if. If people who don't have coverage, in or out of government,



## **LTC INSURANCE RESULTS**

### **(Continued):**

decide to buy it--with a daily benefit that will help them 5, 10 or 20 years from now.

It's their money, if they do it. But it's your money, if they don't.

## **HELP PARENTS ON THE HOUSE**

FEDweek presents this familiar scenario: parents (or one parent) want to stay in their house, where they're comfortable, but they also need to cash in their home equity for a comfortable retirement lifestyle.

Children can help by buying their parents' home, then renting it back to them. Both parties stand to gain, thanks to the tax code. Chances are, the parents aren't getting many tax advantages from home ownership:

After living in the house for so many years the mortgage may be paid off, or nearly so. With a low mortgage or no mortgage, they get little or no deductions for mortgage interest.

Even if they pay mortgage interest, the deduction may not be worth much, if their retirement income puts them into a low tax bracket. The same goes for their property tax deductions.

Many seniors take a standard deduction rather than itemize. If parents are in this category, they're getting no tax benefit from home ownership.

On the other hand, if children buy their parents' house and rent it back to them, they'll probably be in a position to profit

from the tax benefits of owning investment property. Meanwhile, the parents stay in their familiar house, with cash in their pockets.

In most cases, parents won't owe any tax on the sale. As long as they've lived in the house at least two years, they can avoid tax on \$500,000 worth of gain (\$250,000 for single taxpayers). With tax-free cash from the sale, parents will likely to be able to pay a "fair market rent" to keep living in the house. That's a requirement in order for tax advantages to be maximized.

In any case, children will be allowed deductions for property taxes and mortgage interest, the same as if they used the property as a vacation home. However, if the rent is fair and the house is considered rental property, they also can take deductions for operating expenses such as utilities, maintenance, insurance, repairs, supplies, and so on.

Travel expenses also may be deductible: if children go to visit their parents, some or all of the expenses can be written off as investment property monitoring. In addition, residential properties placed in service can be depreciated over 27.5 years.

These deductions can offset the rental income children receive from their parents so most or all of this income can be tax-sheltered. If the expenses exceed the rental income, the loss may be deductible, in whole or in part, if total income is under \$150,000.

## **2002 TAX TIPS**

FEDweek's Financial Planning Report provides a wealth of tax related information. What mistakes should you avoid as you prepare your 2002 tax return?

**Mortgage points.** If you refinanced your mortgage last year, as many people did, go over your settlement papers. Points paid to refinance a mortgage can be deducted over the life of the loan but points paid on a loan used for home improvements may be deducted right away.

Say you refinanced an outstanding \$150,000 loan with a new, \$200,000, 15-year loan last year, paying \$4,000 in points. The extra \$50,000 was used to build a home addition. Because 25 percent of the loan was used for home improvements, 25 percent of the points you paid (\$1,000) can be deducted in 2002. The other \$3,000 you paid in points can be deducted over the 180-month term of the loan.

**Match game.** Keep in mind that the IRS devotes a tremendous amount of effort to document matching. Whatever income is reflected on all the W-2 and 1099 statements you receive for 2002, make sure that income is reflected on your tax return. That includes any dividends you reinvested, too. Discrepancies are likely to draw the attention of the IRS.

**Name Game.** If you married and changed your name last year, be sure you report the change to the Social Security Administration. Otherwise, your new name and old Social Security won't match and the IRS will think you haven't filed a tax return. We were tempted to leave this item out but we retirees are active and involved and just

as likely to enter a new marriage as anyone else, right?

**Count carryforwards.** If you were unable to deduct all your capital losses in a previous year, see if you can use them to offset any net capital gains from 2002. Moreover, up to \$3,000 worth of capital losses (including unused losses from prior years) can be deducted against ordinary income. See a more comprehensive discussion of the capital loss provisions later in the column.

**Lock in your losses.** If you invest in a business that fails, you can get a capital loss in the year that your stake becomes worthless. A non-business bad debt (typically, an uncollectible loan) is similarly deductible as a capital loss in the year it becomes entirely worthless. Be careful, though, that you do not simply forgive a bad loan that will make it a potentially taxable gift instead of a bad debt.

To be considered worthless, a security must have absolutely no value. Even if it has a negligible value, you can't claim a capital loss. Therefore, you should act by year-end to demonstrate its worthlessness.

One approach is to sell it to an unrelated party for a nominal amount. If you sell this worthless security to your neighbor for \$1, for example, and complete the sale before December 31, you can claim a capital loss for 2002. The same concept applies to nonbusiness bad debts.

**529 Plans Down?** If you have invested in a 529 plan that emphasizes stocks, chances are that your account value is down. Thus, you may be able to reduce your 2002 income tax liability by closing any 529 accounts that have lost value. IRS Publication 970

### **2002 TAX TIPS (Continued):**

confirms that a tax loss on liquidation of a 529 account is a miscellaneous itemized deduction.

Such deductions are lumped with items such as tax preparation and investment expenses; they're deductible only to the extent they exceed 2 percent of your adjusted gross income (AGI). If your AGI in 2002 is \$60,000, for example, miscellaneous deductions over \$1,200 are deductible.

Suppose, with AGI of \$60,000 this year, you have spent \$1,200 on other miscellaneous itemized deductions. You have invested \$20,000 in your state's 529 plan but your account is now worth only \$15,000.

Closing the account would give you a \$5,000 loss, which would be fully deductible because you're over the 2 percent threshold. You won't be limited by the \$3,000 maximum on deductions for capital losses. Then you can take your remaining \$15,000 and invest in some other 529 plan.

**Sweet Charity.** Look to your portfolio for your year-end charitable gifts. Instead of cash, give away appreciated securities. As long as you've held those securities for over a year, you can get a write-off for the full price without having to pay capital gains tax.

Suppose you bought a stock for \$1,000 many years ago; that stock has now appreciated to \$3,000. In reality, this "\$3,000 asset" is worth only \$2,600 to you because you'd pay a 20 percent rate on the \$2,000 gain, if you wanted to cash in.

Further suppose you intend to make a \$3,000 charitable gift at year-end. Rather

than cash, give away the appreciated shares. You'll get the same \$3,000 tax deduction you would have received with a cash donation, the charity can sell the shares and realize \$3,000, and no one ever pays the tax on the deferred gains.

To implement the transaction:

Call the charity and get its brokerage account number. Then call your own broker or your mutual fund company and explain what you want to do, providing the account number. Follow up by fax or phone to confirm the transaction.

**Keeping it simple.** If you're making 20 gifts of \$250 each to various charities, you probably won't want to go through all the paperwork involved in giving away appreciated securities to each one. Instead, you can make one gift of appreciated securities to a "donor-advised fund." Such funds are offered by many local community foundations as well as by financial firms such as Fidelity, Vanguard, and Schwab. Policies vary but some of these funds will let you open an account for as little as \$5,000.

Suppose, for example, you give \$5,000 worth of appreciated securities to a donor-advised fund in December 2002. You'd get a \$5,000 deduction this year. Then you can ask the fund to give \$250 to your alma mater, \$250 to a religious organization, \$250 to a local animal shelter, etc. The fund will handle all the administrative procedures. What's more, you can spread the actual donations over several years, even though you've taken an upfront deduction.

**Clearing the thresholds.** Too late for 2002 but something to keep in mind for 2003

**2002 TAX TIPS (Continued):**

taxes. At year-end, you should go over all your itemized deductions.

Medical expenses are deductible only to the extent they exceed 7.5 percent of your adjusted gross income (AGI). If you're over the threshold for 2002, you can pay for checkups, eyeglasses, etc., with deductible dollars before year-end. If you're not close to the threshold, defer such medical outlays into 2004.

The same strategy holds for miscellaneous itemized deductions (investment expenses, tax preparation, unreimbursed employee business expenses) but the threshold is 2 percent of AGI. Spend now if you're over or wait if you're under the 2 percent mark.

Ordinarily, you should prepay state and local income and property taxes, in order to get 2003 deductions for outlays you'll have to incur anyway, early in 2004. There's a catch, though: such outlays may not be deductible if you wind up triggering the alternative minimum tax (AMT) this year.

Thus, you should check in with your tax pro before writing these checks. Give your pro a status report (how will your tax picture this year differ from last year?) and ask for some direction to a "cross-over point." That is, your pro should be able to tell you how much you can prepay this year, in state and local tax payments, bringing you up to but not over the line where you'll incur the AMT.

Remember reinvestments. Tax-cutting opportunities likely can be found among your investment records. When you determine the cost of securities you sold last

year, be sure to include any amounts you previously reinvested, such as reinvested dividends and capital gains distributions from mutual funds. If you don't include them, you'll be paying tax twice on those reinvestments.

Interesting tax thoughts. Keeping the tax code in mind will help you refinance "bad" debt with "good" debt. You might, for example, borrow from your broker to make investments and use the money you otherwise would have used for investments to pay down credit card debt. Broker loans ("margin accounts") typically are reasonably inexpensive--about 7 percent today--and generate deductible interest, as long as you have a similar amount of investment income each year. Thus, margin loans are better than credit card debt.

Even better is housing related debt, including the interest on up to \$100,000 worth of home equity debt. Such interest is deductible, no matter how you spend the proceeds, as long as the credit line is secured by a first or second home.

Therefore, debt management doesn't mean paying off all your debt. Rather, it means avoiding nondeductible personal debt at all costs. Either pay down such debt or replace it with less expensive, deductible debt.

**Capital gain treatment - Loss Leaders.**

The tax code permits you to deduct up to \$3,000 worth of net capital losses each year but excess losses must be carried forward to future years. Thus, you should check your 2001 tax return to see if you're carrying forward any unused capital losses. If so, take gains to soak them up.

### **2002 TAX TIPS (Continued):**

Suppose, for example, you have \$11,000 worth of loss carry-forwards. You can take \$8,000 worth of paper profits this year, tax-free, and deduct the other \$3,000 (If you've already taken, say, \$2,000 worth of gains, you can take an additional \$6,000 by year-end).

If you wish, you can simply pocket the sales proceeds, knowing your prior losses will offset any taxable gains. Alternatively, you can buy back the securities you sell: this keeps your portfolio intact while raising your cost basis, reducing future tax obligations. There are no "wash sale" implications when you buy back securities you've sold at a gain.

#### **The \$3,000 Solution**

If you don't have loss carry-forwards, you're starting with a clean slate this year. In that case, your goal might be to wind up the year with a deductible \$3,000 loss. Check your records to see if you have a net profit or loss for the year, on transactions already completed, and factor in mutual fund capital gains distributions. Then buy or sell securities to get to a \$3,000 net loss.

Say you have a net gain of \$2,000 for the year so far. You'd owe \$400 in tax, assuming your gains qualify for the 20 percent rate on long-term holdings. Instead, you can sell enough losers to generate a \$5,000 loss, bringing your net capital loss to \$3,000, which you can deduct.

In a 27 percent federal tax bracket, you'd save \$810 (27 percent of \$3,000), instead of owing \$200. You'd save more in a higher

tax bracket; state and even local tax savings can add to the payoff.

Then what? If you want to keep your portfolio intact you can buy stocks that are similar but not identical to those you sold. If you're taking a loss on a mutual fund, buy a different fund with the same objective.

Another tactic is to wait more than 30 days, then buy back the same securities. Unless there's a huge move during that month, you'll wind up essentially where you started, but with a valuable tax loss.

### **CLASS FRIENDS**

Submitted by Theodore G Saffran

One day a teacher asked her students to list the names of the other students in the room on two sheets of paper, leaving a space between each name. Then she told them to think of the nicest thing they could say about each of their classmates and write it down. It took the remainder of the class period to finish their assignment, and as the students left the room, each one handed in the papers.

That Saturday, the teacher wrote down the name of each student on a separate sheet of paper, and listed what everyone else had said about that individual. On Monday she gave each student his or her list. Before long, the entire class was smiling. "Really?" she heard whispered. "I never knew that I meant anything to anyone!" and, "I didn't know others liked me so much," were most of the comments. No one ever mentioned those papers in class again. She never knew if they discussed them after class or with their parents, but it didn't matter. The exercise had accomplished its purpose. The students were happy with themselves and

**CLASS FRIENDS (Continued):**

one another. That group of students moved on.

Several years later, one of the students was killed in Viet Nam and his teacher attended the funeral of that special student. She had never seen a serviceman in a military coffin before. He looked so handsome, so mature. The church was packed with his friends. One by one those who loved him took a last walk by the coffin. The teacher was the last one to bless the coffin.

As she stood there, one of the soldiers who acted as pallbearer came up to her. "Were you Mark's math teacher?" he asked. She nodded: "yes." Then he said: "Mark talked about you a lot."

After the funeral, most of Mark's former classmates went together to a luncheon. Mark's mother and father were there, obviously waiting to speak with his teacher. "We want to show you something," his father said, taking a wallet out of his pocket. "They found this on Mark when he was killed. We thought you might recognize it." Opening the billfold, he carefully removed two worn pieces of notebook paper that had obviously been taped, folded and refolded many times. The teacher knew without looking that the papers were the ones on which she had listed all the good things each of Mark's classmates had said about him. "Thank you so much for doing that," Mark's mother said. "As you can see, Mark treasured it."

All of Mark's former classmates started to gather around. Charlie smiled rather sheepishly and said, "I still have my list. It's in the top drawer of my desk at home."

Chuck's wife said, "Chuck asked me to put his in our wedding album."

"I have mine too," Marilyn said. "It's in my diary."

Then Vicki, another classmate, reached into her pocketbook, took out her wallet and showed her worn and frazzled list to the group. "I carry this with me at all times," Vicki said and without batting an eyelash, she continued: "I think we all saved our lists."

That's when the teacher finally sat down and cried. She cried for Mark and for all his friends who would never see him again. The density of people in society is so thick that we forget that life will end one day. And we don't know when that one day will be.

So please, tell the people you love and care for, that they are special and important. Tell them, before it is too late. Remember, you reap what you sow. What you put into the lives of others comes back into your own. May Your Day Be Blessed.

**PRESIDENTIAL MERITORIOUS  
RANK AWARD**

Dr. Randy Ferris, Dallas Regional Administrator has received the Presidential Meritorious Rank Award for 2002. Each year, the President confers prestigious awards of Distinguished and Meritorious on a select group of career members of the Senior Executive Service (SES). Dr. Farris received the Meritorious Rank Award for his "sustained accomplishment" as an outstanding leader in the administration of CMS' programs while focusing on

**PRESIDENTIAL MERITORIOUS  
RANK AWARD (Continued):**

protecting the health and safety of beneficiaries. Dr. Farris developed and implemented a strategy for protecting beneficiaries in the event of the financial failure of nursing homes and hospitals.

**OBITUARIES**

**JOSEPH A. PORKERT**

This report was submitted by Bill Hickman

It grieves me to report that former employee Joe Porkert passed away on October 13th. Joe had worked in the payroll area of HCFA before his retirement. He had a great number of friends throughout the agency. He was active in the HCFA/CMS Alumni Association and attended all of the Summer Picnics and Holiday Luncheons for several years.

# **IN MEMORIAM**

**The Alumni Association respectfully acknowledges  
the passing of the following  
Alumni/Employees/Spouses and expresses its  
sympathy to family members:**

**SUSAN BAILEY\***

**JOHN G. HOEY\*\***

**JOSEPH A PORKERT\*\*\***

\* Spouse of R. Clifton Bailey, HCFA Retiree

\*\* Spouse of Annabela McShane Hoey, HCFA Retiree

\*\*\*HCFA Retiree

**If you are aware of any other deaths of Alumni please notify the editorial staff  
March 2003**